No. 94-1051

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

PAPETTI'S HYGRADE EGG PRODUCTS, INC.,

Petitioner,

—v.—

MICHAEL FOODS, INC. and NORTH CAROLINA STATE UNIVERSITY,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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In The
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1994

Papetti's Hygrade Egg Products, Inc.,

Petitioner,

v.

Michael Foods, Inc. and
North Carolina State University,

Respondents.

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

I. INTRODUCTION

Michael concedes that the District Court's decision and the Federal Circuit's affirmance required Papetti's to meet its trial burden of proof of clear and convincing evidence in order to defeat Michael's summary judgment motion. Yet Michael fails to come to grips with the substantial impact that these decisions, if permitted to stand, will have on patent litigants. Michael denigrates Papetti's warnings on this score as "'doomsday' predictions" (Resp. Br. at 8)[1], but nowhere denies the chilling effect on innovation and competitiveness that would follow inexorably from the Federal Circuit's inconsistent application of the summary judgment burden of proof in patent cases.

The fatal flaw in the summary judgment upholding the validity and enforceability of Michael's patents is underscored by the action of a United States patent examiner on reissue, rejecting as unpatentable some of the very patent claims found valid and enforceable on summary judgment based on some of the very prior art relied on by Papetti's to oppose that summary judgment.

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[1] "Resp. Br. at __" refers to the cited page(s) of Respondents' Brief In Opposition, dated January 17, 1995.

This examiner's action is indisputable evidence that a reasonable fact finder could find in favor of Papetti's and that there was no failure of Papetti's proofs. *See* Pet. at 7.[2] This is all that should have been required to defeat Michael's summary judgment motion. Had the Federal Circuit and the District Court placed on Papetti's the proper burden of proof under Rule 56(c), F.R.Civ.P., a very different result would have obtained.

II. THE SUMMARY JUDGMENT BURDEN THAT MICHAEL CONCEDES WAS IMPOSED ON PAPETTI'S WAS IMPROPER

In affirming the District Court's summary judgment, the Federal Circuit applied the wrong standard and required Papetti's to "sustain its burden of establishing by clear and convincing evidence that the patents were either invalid or unenforceable for inequitable conduct." Pet. at 5a-6a. Michael adopted the Federal Circuit's improper standard. Resp. Br. at 4, 6. Papetti's was not, however, required to establish that a fact finder *would* find for Papetti's. As this Court has repeatedly held, Papetti's need only have proved that "a reasonable [fact finder] *could* return a verdict for the nonmoving party." *E.g.*, *Anderson* v. *Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986) (emphasis added); *see also* Pet. at 10-18 and cases cited therein.[3] Thus, Michael effectively concedes that the Federal Circuit and the District Court placed the wrong burden of proof on Papetti's.

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[2] "Pet. at __" refers to the cited page(s) of Papetti's Petition For Writ Of Certiorari, dated December 14, 1994.

[3] Contrary to Michael's argument (Resp. Br. at 10-11), Papetti's never asserted that the Federal Circuit should ignore the clear and convincing evidence standard. Papetti's only argued that it need not *establish* its defenses under that standard in opposing summary judgment. Pet. at 13-17.

III. THE REISSUE EXAMINER'S DECISION THAT MICHAEL'S CLAIMS ARE UNPATENTABLE PROVES THAT A FACT FINDER COULD FIND FOR PAPETTI'S

Perhaps the most convincing evidence that a reasonable fact finder could find for Papetti's (and, therefore, that Michael's summary judgment dismissing Papetti's defenses should never have been granted) is the action of the patent examiner in a reissue proceeding involving one of the patents-in-suit. In that proceeding, the examiner rejected Michael's patent claims as unpatentable based upon the very prior art relied on by Papetti's:

> "1. Claims 1-50 are pending in this application.
>
> * * *
>
> "Claims 1, 2, 18-37, 46, and 47 are rejected under 35 U.S.C. § 103 as being unpatentable over Hanson et al or Murdock et al in view of Applicants' specification at column 2, lines 1-3.
>
> * * *
>
> "Claims 3-17, 38-45, and 48-50 are rejected under 35 U.S.C. § 103 as being unpatentable over the references as applied in paragraph above taken together with Stadelman et al." Pet. at 96a-98a; *see also* Pet. at 7.[4]

Thus a reasonable fact finder -- the examiner -- not only could find for Papetti's, he did in fact do so based on the same evidence relied on by Papetti's. This shows without question that Papetti's had presented to the District Court a *prima facie* case of patent invalidity and unenforceability of Michael's patent claims.

Indeed, on January 12, 1995, in response to Papetti's motion pursuant to Rule 60(b), F.R.Civ.P., to vacate summary judgment based on the reissue proceeding, the District Court

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[4] Two of the four Michael patent claims at issue in this litigation are claims 4 and 15 of the '408 patent, now rejected by the reissue examiner as unpatentable.

stayed this action pending a final determination in the reissue proceeding. 99a-102a. In that Order, the District Court acknowledged that the determination of the examiner in the reissue proceeding "may well be dispositive as to the validity of the patents at issue here." 101a. Thus, even the District Court acknowledges that its summary judgment may well be reversed.

Michael wrongly argues that the recent Patent Office reissue proceeding should not be considered by this Court because it was not part of the record below. Resp. Br. at 7. It is well-established that counsel has a "'continuing duty to inform the Court of any development which may conceivably affect the outcome' of the litigation." *Tiverton Bd. Of License Comm'rs* v. *Pastore*, 469 U.S. 238, 240 (1985) (*quoting Fusari* v. *Steinberg*, 419 U.S. 379, 391 (1975) (Burger, C.J., concurring) (reminding parties of their duty to inform the Court of changes in circumstances)).

As noted by the District Court in its Order staying the instant action (101a), a final Patent Office determination that Michael's patent claims are unpatentable may be dispositive of the unpatentability of Michael's patent claims and, therefore, may directly affect Michael's ability to assert its patents against Papetti's. This might render Papetti's Petition for a Writ of Certiorari moot because the underlying action between the parties would be resolved.[5] Not only is Papetti's entitled to inform the

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[5] Regardless of the outcome of the Patent Office proceedings, the burden of proof issue before the Court on Papetti's Petition is ripe for consideration now and important to all patent litigants. *See* Pet. at 7-10. A final determination that Michael's patent claims are invalid (which would render Michael's patents a nullity) could take years because of appeals to the Patent Office Board of Appeals and Interferences and to the Federal Circuit. In the meantime, the Federal Circuit would be free to apply an improper burden of proof to patent litigants opposing summary judgment and the intra-circuit conflict created by the Federal Circuit's decision here would remain unresolved. On the other hand, if the Patent Office proceedings result in a determination that Michael's claims are patentable, then the issues raised in Papetti's Petition would not be moot. Either way, Papetti's respectfully submits that its Petition should be granted to review the improper burden of proof imposed by the Federal Circuit and the District Court.

Court of the Patent Office proceedings, it was obliged to do so. For this reason alone, the cases cited by Michael (Resp. Br. at 7) are inapposite.

Michael recites a litany of elements of Papetti's defenses for which Michael argues there was a complete failure of proof. In support, Michael points to sweeping statements in the Federal Circuit and District Court decisions. Resp. Br. at 12-14. But, mere statements that Papetti's did not offer evidence as to these elements do not make it so. The record establishes that Papetti's had more than sufficient evidence on each of the elements pointed to by Michael to defeat summary judgment.

For example, Michael points to the Federal Circuit's statement that "the record was devoid of evidence creating a genuine dispute regarding the inherency of ... turbulence."[6] Resp. Br. at 13. However, putting aside the clear admissions of Michael's own inventor about the inherency of turbulence (Pet. at 23, 86a-95a), the Federal Circuit and the District Court completely ignored the unrebutted declaration of Papetti's expert, Dr. Maurer, who stated unequivocally that turbulence was inherent. *See* Pet. at 23, 81a-85a.[7] Michael's brief is likewise silent about Dr. Maurer's uncontradicted declaration. Michael's argument that there is a "complete failure of proof" must fail.

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[6] Michael takes this quote out of context when it states that the Federal Circuit made the statement about turbulence. The Federal Circuit was merely reciting the findings of the District Court. *See* Pet. at 5a.

[7] Michael's other allegations of unproved elements are likewise wrong. In the District Court proceedings Papetti's cited to prior art that taught each element of Michael's claims and presented evidence that the claims are either anticipated by or would have been obvious over this prior art. 35 U.S.C. §§ 102, 103. With respect to unenforceability of the patents-in-suit because of Michael's inequitable conduct before the Patent Office, the circumstantial evidence of Michael's intent (which is all that is required under established precedent (*see* Pet. at 25 n.16), is compelling. The evidence marshalled by Papetti's was more than sufficient to merit a trial on these issues.

IV. MICHAEL IMPROPERLY DISMISSES THE INTRA-CIRCUIT CONFLICT CREATED BY THE FEDERAL CIRCUIT'S DECISION

Michael criticizes Papetti's for arguing that the Federal Circuit's decision creates an intra-circuit conflict because, according to Michael, the Federal Circuit has "internal procedures to monitor both real and perceived conflicts in its jurisprudence and to solve them through appropriate *in banc* consideration." Resp. at 11. At the same time, Michael criticizes Papetti's for raising the non-precedential status of the Federal Circuit's decision. *Id.* at 11-12 & n.5. This ignores that the very procedural safeguards that Michael hangs its hat on were virtually unavailable to Papetti's precisely because the Federal Circuit designated its decision non-precedential. *See* Pet. at 15 n.11 (quoting the Practice Note to Federal Circuit Rule 35 that states that an *in banc* review in a non-precedential decision is "rarely appropriate").

Michael misstates Papetti's argument regarding the intra-circuit conflict created by the Federal Circuit's decision. Resp. Br. at 12. The point is that the Federal Circuit's decision in this case conflicts with other Federal Circuit precedent that properly applies the burden of proof in opposing summary judgment. *See* Pet. at 15-18. Designating its decision as non-precedential enables the Federal Circuit to stray from this proper precedent in an individual case and avoid the safeguards that normally insure uniformity in a precedential decision. This is contrary to the Federal Circuit's mandate to apply the patent laws uniformly, contrary to the public policy and unfair to individual litigants. *See* Pet. at 8-10, 10 n.8, 15-18.

V. CONCLUSION

Michael fails to address the plain fact that the Federal Circuit and the District Court improperly required Papetti's to meet its ultimate trial burden of proof in opposing Michael's summary judgment motion. The recent Patent Office reissue proceeding confirms that there has been no failure of proof and indeed establishes that a reasonable fact finder could find in favor of Papetti's -- all that is required to defeat summary judgment.

For all of the foregoing reasons, and for the reasons set forth in Papetti's Petition, Papetti's requests that its Petition for a Writ of Certiorari be granted.

Respectfully submitted,

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SUPPLEMENTAL APPENDIX

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

MICHAEL FOODS, INC., and NORTH CAROLINA STATE UNIVERSITY,	:	Civil Action No. 89-4645 (MTB)
Plaintiffs,	:	
v.	:	
PAPETTI'S HYGRADE EGG PRODUCTS, INC.,	:	ORDER
Defendant.	:	

This matter having come before the court upon defendant's motion for an order, pursuant to Fed.R.Civ.P. 60(b), vacating this court's Amended Final Judgment Except for Accounting filed on September 21, 1993 and ordering a trial on the issues of invalidity and unenforceability of various patents issued to plaintiff; and the court having reviewed the submissions of the parties pursuant to Fed.R.Civ.P. 78; and

it appearing that defendant bases this motion on the August 31, 1994 Office Action of the Patent and Trademark Office in which the Reissue Examiner presiding over the reissue application filed by plaintiffs on

or about May 14, 1993 rejected claims 4 and 15 of the '408 patent as invalid; and

it appearing that this determination does not represent a final determination by the Reissue Examiner of the validity of the relevant claims of the '408 patent;[1] and

it being the opinion of the court that affirmance of a district court's opinion and order granting summary judgment in favor of a plaintiff on the issue of whether a defendant had established the merits of its defense of invalidity does not necessarily foreclose the question of the validity of the patent; Mendenhall v. Barber-Greene Co., 26 F.3d 1573, 1580 (Fed. Cir.), cert. denied, 115 S.Ct. 582 (1994); see also Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1429, n.3 (Fed. Cir. 1988); and

it being the opinion of the court that in a patent case, a judgment effectively finding liability, even if

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[1] In the first reissue proceeding instituted by plaintiffs on or about May 8, 1992, there was an initial rejection as part of the first Office Action issued on July 13, 1992. After further review, however, the Reissue Examiner issued a second Office Action in which the '408 claims were determined to represent the type of "revolutionary discovery [which] is exactly the type worthy of patent protection." Office Action of October 14, 1992.

affirmed by the Federal Circuit, does not constitute a final judgment unless the sole remaining task for the district court is to execute the judgment, Id. at 1581; and

it being the opinion of the court that where the damage phase of patent litigation remains before the district court, no final judgment has been entered. Id.; and

it being the opinion of the court that, "[a]bsent a final judgment ending the litigation, the issue of liability is not barred from reconsideration", even after an affirmance relating to the liability phase of the litigation by the Federal Circuit; Id.; and

it being the opinion of the court that the final determination of the Examiner in the reissue proceeding commenced on May 14, 1993 may well be dispositive as to the validity of the patents at issue here; see Standard Havens v. Gencor, 27 U.S.P.Q.2d 1959 (Fed. Cir. 1993), rev'g 810 F.Supp. 1072 (W.D. Mo. 1993) (reexamination proceeding finding that patent was invalid would preclude damage in infringement suit even after finding of liability by district court in that suit had been affirmed by Federal Circuit);

IT IS on this 12th day of January, 1995

ORDERED that the instant litigation, including the damage phase and discovery related thereto, is hereby stayed until such time as a final determination is reached in the reissue proceeding filed on or about May 14, 1993; and it is further

ORDERED that defendant's motion for an order vacating the Amended Final Judgment Except for Accounting is denied without prejudice; and it is further

ORDERED that the instant action is hereby administratively terminated until such time as the parties advise the court that the reissue proceeding filed on or about May 14, 1993 and currently pending before the Patent and Trademark Office has been completed.

/s/_____
MARYANNE TRUMP BARRY
U.S.D.J.